SUBCOMMITTEE NO. 3 Agenda
Health, Human Services, Labor & Veteran's Affairs

Chair, Senator Elaine K. Alquist
Senator Alex Padilla
Senator Dave Cogdill

Thursday, April 19, 2007
Upon Adjournment of Session
Room 4203 (John L. Burton Hearing Room)
(Eileen Cubanski, Consultant)

Vote-Only Agenda

Discussion Agenda

Discussion Agenda (continued)

Vote-Only Agenda

5180 Department of Social Services (DSS)

Vote Only Issue 1: Continuation of *Gresher v. Anderson* Court Order

Description: The budget requests $478,000 ($350,000 General Fund) and 5.5 permanent positions for DSS to implement the *Gresher v. Anderson* court order.

Background: On February 24, 2005, the California Court of Appeal in the *Gresher v. Anderson* case ordered DSS to change its criminal background check process to notify persons denied an exemption to work in a community care facility of the basis for the denial in terms sufficiently specific to permit the person to make an informed decision about whether to pursue an administrative appeal of the denial.

Under current law, people with criminal convictions are excluded from employment at a community care facility unless DSS grants an exemption. The DSS may grant an exemption if the person's criminal history indicates that the person is of good character based on the age, seriousness, and frequency of the conviction or convictions. Although DSS notified the individual and potential employer of the exclusion, they did not provide information on the specific conviction(s) that led to the exclusion. Excluded individuals have 15 days to file a written appeal on the denial of their application for an exemption or the denial becomes final.

The Administration originally requested and the Legislature approved $596,000 and 6.0 limited-term positions in 2005-06 for implementation of the *Gresher* decision. The current request of $498,000 ($350,000 General Fund) and 5.5 permanent positions continues those positions and reflects an updated workload and resource analysis based on actual implementation experience.

Staff Recommendation: Approve as budgeted.

Vote Only Issue 2: Continuing Education Online

Description: The budget proposes to provide a 0.5 position to the Department of Social Services to implement Assembly Bill (AB) 2675 (Strickland, Chapter 421, Statutes of 2006). The position will be funded through the Certification Fund without additional expenditure authority.

Background: Under current law, administrators of Adult Residential Facilities (ARFs) and Group Homes (GHs) must meet certification requirements, which consist of an initial 35 and 40 hours of training, respectively, and a passing score on a written test developed by the Department of Social Services (DSS). Administrators of both ARFs and GHs must complete 40 hours of continuing education every two years. The DSS approves organizations and individuals who provide continuing education to facility administrators.

AB 2675 allows up to 20 of the 40 hours of continuing education to be completed through online study courses. The online courses are subject to DSS approval. The 0.5 position requested by DSS would draft regulations to implement AB 2675, and review, monitor, and approve or deny online curricula.

Staff Recommendation: Approve as budgeted.

Vote Only Issue 3: Child Care Facilities – Parental Notification

Description: The budget proposes $46,000 General Fund and 0.5 positions for the Department of Social Services (DSS) to implement Assembly Bill (AB) 633 (Benoit, Chapter 545, Statutes of 2006).

Background: AB 633 requires each licensed child day care facility to make accessible to the public licensing reports or other documents pertaining to a substantiated complaint investigation, conferences in which issues of noncompliance are discussed, or accusations indicating DSS' intent to revoke the facility's license. Each facility is required to tell parents in writing about how they can obtain that information. AB 633 also requires each licensed child day care facility to provide to parents copies of any Type A citation that represents an immediate risk to the health, safety, or personal rights of the children. Finally, AB 633 requires facilities to secure verification within 90 days of employment that the facility director has completed an orientation given by DSS.

The DSS is requesting resources to handle increased workload associated with providing additional orientation sessions. The Community Care Licensing (CCL) Division within DSS currently provides orientations for child care providers at their regional offices one or more times each month depending on the need in the community. The orientation has three components: one covers the licensure application process; one is a face-to-face interview with the licensee; and the final covers aspects of the day-to-day operations of the child care facility.

Staff Recommendation: Approve as budgeted. The requested resources are consistent with approved workload standards.

Vote Only Issue 4: Health and Care Facilities: Background Checks

Description: The Governor's Budget proposes an increase of $225,000 in reimbursement authority and 1.5 positions (1.0 limited-term) for the Department of Social Services (DSS) to process background checks on Long-Term Care Ombudsmen staff and volunteers on behalf of the California Department of Aging (CDA) as mandated by SB 1759 (Ashburn, Chapter 902, Statutes of 2006). The CDA has a corresponding funding proposal, which was approved by Subcommittee #3 on March 8, 2007.

Background: Ombudsmen staff and volunteers help to resolve complaints made by, or on behalf of, residents and ensure that skilled nursing facilities and residential care facilities for the elderly provide quality care for residents. The duties of an Ombudsman place him or her in direct personal contact with residents.

Prior to enactment of SB 1759, criminal background clearances for ombudsmen volunteers and staff were not required. This budget request would enable DSS to use its existing criminal record clearance systems, rather than create the same function within the CDA.

Staff Recommendation: Approve as budgeted. This action would conform to the Subcommittee's approval of the companion request from the California Department of Aging on March 8, 2007.

Discussion Agenda

5181 Department of Social Services (DSS)

DSS Issue 1: Supplemental Security Income/State Supplementary Program (SSI/SSP) and Cash Assistance Program for Immigrants (CAPI)

Description: The budget provides $140.3 million General Fund to fully fund the State Supplementary Program (SSP) cost-of-living-adjustment (COLA) of 4.2 percent. The proposal would also pass on $34.4 million in additional federal funds to fully fund the federal 1.2 percent COLA for Supplemental Security Income (SSI).

Background:

- **Program Description.** The SSI/SSP program provides cash grants to persons who are elderly, blind and/or too disabled to work and who meet the program's federal income and resource requirements. Beneficiary grants generally reflect the maximum grant less any offsetting personal income. Individuals who receive SSI/SSP are categorically eligible for the Aged, Blind or Disabled Medi-Cal Program with no share of cost, for the In-Home Supportive Services Program, and may be eligible for other programs designed to support individuals living in the community. The SSI/SSP program is administered by the federal Social Security Administration. The Social Security Administration determines eligibility, computes grants, and disburses monthly payments to recipients.

  SSI/SSP grant levels vary based on a recipient's living arrangement, marital status, minor status, and whether she or he is aged, blind or disabled. There are over twenty different SSI/SSP payment standards. Both the federal and state grant payments for SSI/SSP recipients are adjusted for inflation each January through COLAs. Federal law provides an annual SSI COLA based on the Consumer Price Index, and state law provides an annual SSP COLA based on the California Necessities Index.

  The Cash Assistance Program for Immigrants (CAPI) program was established in 1997 to provide cash benefits to aged, blind and disabled legal immigrants who became ineligible for SSI as a result of welfare reform. This state-funded program is overseen by the Department of Social Services (DSS) and administered locally by counties. CAPI grants are $10 less than SSI/SSP grants for individuals and $20 less than SSI/SSP grants for couples.

- **Enrollment Summary.** The budget projects SSI/SSP average monthly enrollment will grow by 2.1 percent, from 1,239,000 in 2006-07 to 1,265,000 in 2007-08. Approximately eight percent of recipients are under age 18, 49 percent are age 18 to 64, and 43 percent are age 65 and older. CAPI caseload is projected to increase by 29.1 percent in 2007-08, to 11,415 average monthly recipients.

- **Funding Summary.** SSI/SSP grants have two components: the SSI component, which is federally funded, and the SSP component, which is state funded. Total funding for SSI/SSP is estimated to be $8.7 billion ($3.5 billion General Fund) in 2006-07, and $9.4 billion ($3.9 billion General Fund) in 2007-08. General Fund expenditures are projected to increase by 9.9 percent, to reflect an increase in caseload and funding of the 2008 state and federal COLAs. The federal funds in the SSI portion of the grant are not included in the state budget, as they are federally administered. Total funding for the CAPI program is estimated to be $95.9 million General Fund in 2006-07 and $129.5 million General Fund in 2007-08. In addition to caseload, this 34.1 percent increase is due to the increased caseload resulting from the expiration of the ten-year sponsor deeming period for the first round of CAPI recipients.

- **2008 Federal SSI and State SSP COLAs.** The budget provides $140.3 million General Fund to fully fund the state SSP COLA of 4.2 percent. At the time the Governor's Budget was released, the California Necessities Index (CNI), upon which the SSP COLA is based, was an estimate. The final CNI is actually 3.7 percent, which results in an estimated SSP COLA cost of $124.4 million General Fund, a $45.1 million General Fund reduction from the January estimate. As a result, the maximum SSI/SSP grant would increase from $856 to $888 for individuals and $1,502 to $1,558 for couples. These grants also include the $34.4 million in additional federal funds to fully fund the federal 1.2 percent COLA for SSI.

Questions:

1. Department, please describe the proposal to provide the SSI/SSP COLA.
2. LAO, describe your SSI/SSP recommendation.

Staff Recommendation: Approve $124.4 million General Fund for the revised SSP COLA of 3.7 percent and **approve the pass-through of $34.4 million** for the federal SSI COLA of 1.2 percent.

DSS Issue 2: In-Home Supportive Services (IHSS) Caseload

Description: The Governor's Budget includes $4.4 billion ($1.4 billion General Fund) for the In-Home Supportive Services (IHSS) Program in 2007-08. IHSS caseload is estimated to be 395,100 in 2007-08.

Background:

- **IHSS Program Description.** The In-Home Supportive Services (IHSS) program funds personal care services for low-income aged, blind or disabled individuals who are at risk for institutionalization. IHSS services include domestic services (such as meal preparation and laundry), nonmedical personal care services, paramedical services, assistance while traveling to medical appointments, teaching and demonstration directed at reducing the need for support, and other assistance.

Services are provided through individual providers hired by the consumer, county contracts with service providers, or through welfare staff. County welfare departments visit consumers in their homes to determine authorized hours of service.

- **IHSS Enrollment.** The budget estimates that IHSS caseload will increase to 395,100 in 2007-08, an increase of 5.4 percent over 2006-07 caseload. Caseload, hours of service by case, and program costs have grown significantly faster than population growth since the mid-1990s.

- **Funding Summary.** The budget proposes $4.4 billion ($1.4 billion General Fund) for the IHSS program in 2007-08. This represents an increase of $101.3 million ($27.7 million General Fund) above the current year funding level, a 2.3 percent increase.

  IHSS costs have steadily increased in recent years. Nonetheless, the average annual cost per individual, approximately $10,300 ($3,399 General Fund), is still less than one-fifth the cost of nursing home placement. The program's growth has been fueled by multiple factors, including the establishment of a state entitlement for personal care services, population increases, and an increase in the proportion of IHSS consumers who are severely disabled, greater utilization of service hours by case, and higher provider rates. In addition, demographic trends and a programmatic shift to support the elderly and persons with disabilities in community settings have increased the number of beneficiaries.

  Wage increases have reportedly contributed to enrollment growth and increases in the numbers of hours used, as higher wages have made it easier for beneficiaries to hire providers and fully utilize authorized hours of care. This is in addition to the direct impact of provider wage increases on IHSS costs. The State has participated in IHSS provider wages above the minimum wage since 1999-2000. In the current year, the State participates in wages and benefits up to $11.10 per hour, although actual wage rates vary by county. Most wage rates are determined by the board of supervisors and public authority that negotiates a contract with providers. The budget proposes changes to the State's participation in provider wages (see discussion in DSS Issue 3 below).

- **LAO Analysis.** The Legislative Analyst's Office (LAO) 2007-08 Analysis concludes, based on an examination of the actual caseload for the first six months of 2006-07, that the Governor's caseload projections for the current and budget year are overstated. Therefore, the LAO recommends that proposed spending for IHSS be reduced by $77.6 million ($26.9 million General Fund) in 2006-07 and $97.7 million ($33.9 million General Fund) for 2007-08. Assuming the LAO's caseload estimates, the revised IHSS average caseload would be 367,000 (rather than 375,000) in 2006-07 and 385,000 (rather than 395,000 in 2007-08).

Questions:

1. Department, please describe overall IHSS caseload and funding.
2. LAO, discuss your analysis and caseload recommendation.

Staff Recommendation: Hold open until May Revision when the IHSS caseload will be updated.

DSS Issue 3: Freeze State Participation in IHSS Provider Wages

Description: The budget proposes statutory changes that would limit the State's participation in the cost of In-Home Supportive Services (IHSS) provider wages and benefits to those in effect as of January 10, 2007. The budget assumes that this proposal will result in cost avoidance of at least $14.1 million in the current year and unknown future cost savings. Note that, notwithstanding this proposal, the budget includes $7.8 million ($2.5 million General Fund) in the current year and $16.5 million ($5.4 million General Fund) in the budget year to fund the recently enacted minimum wage increases. The trailer bill language to implement this proposal is included in Attachment 1.

Background: The federal, state, and local governments share in the cost of the IHSS program. The federal government pays for 50 percent of program costs that are eligible for reimbursement through the Medicaid Program (about 93 percent of IHSS cases receive federal funding). The State pays 65 percent and the counties pay 35 percent of the nonfederal share of provider wages.

State participation in wage increases of up to $1 per year after 2000-01 is contingent upon meeting a revenue "trigger" whereby state General Fund revenues and transfers grow by at least five percent since the last time wages were increased. Pursuant to this revenue trigger, the State currently participates in wages of $10.50 per hour plus 60 cents for health benefits, for a total of $11.10 per hour. Based on current revenue estimates, the final trigger increasing state participation in wages and benefits to $12.10 per hour would be pulled for 2007-08. It is estimated that if all counties opted into the highest wage level, the cost exposure to the State would be approximately $350 million.

2007-08 Governor's Budget: The budget proposes to freeze state participation in wages and benefits. Such a freeze would result in an estimated savings of $14.1 million in 2007-08. This is because some counties already pay providers over $11.10, and absent this proposal, the State would have to increase its participation in those wages and benefits up to $12.10 per hour. As shown on the chart on the next page, four counties currently pay over $11.10 per hour. Depending on the degree to which the remaining counties would have increased wages absent this proposal, the Governor's approach would result in additional, unknown cost avoidance in 2007-08.

The Governor's proposal does not limit the wages or benefits paid to IHSS providers; rather, it caps state participation in the funding of those wages and benefits to the level in effect on the date the freeze is enacted. Counties that elect to pay wages and benefits above what they were paying as of the freeze would, in effect, cover the State's share and share such wage cost increases with the federal government (50 percent county and 50 percent federal). The State would continue to pay its 65 percent share of the nonfederal costs of wages and benefits up to the county wage and benefit level in place on the date of the wage freeze. This means that the counties that have higher wages and benefits in place at the time of the freeze would lock in a greater degree of state participation prospectively than the counties with lower wages and benefits as of that date. The following chart shows the current hourly wages and benefits paid to IHSS providers by county as of January 10, 2007.

IHSS Hourly Wages and Benefits by County
Approved by January 10, 2007

Alameda	$11.42	Orange	$9.00
Alpine	7.50	Placer	9.60
Amador	8.85	Plumas	8.75
Butte	8.75	Riverside	9.60
Calaveras	8.98	Sacramento	11.10
Colusa	7.50	San Benito	9.50
Contra Costa	11.83	San Bernardino	9.23
Del Norte	8.75	San Diego	9.67
El Dorado	9.10	San Francisco	12.30
Fresno	9.80	San Joaquin	9.53
Glenn	7.75	San Luis Obispo	9.60
Humboldt	7.50	San Mateo	11.38
Imperial	7.50	Santa Barbara	10.60
Inyo	7.50	Santa Clara	13.30
Kern	8.55	Santa Cruz	11.10
Kings	8.60	Shasta	7.50
Lake	7.50	Sierra	8.75
Lassen	7.50	Siskiyou	7.50
Los Angeles	8.96	Solano	11.10
Madera	7.50	Sonoma	11.10
Marin	11.10	Stanislaus	8.85
Mariposa	7.75	Sutter	8.85
Mendocino	9.60	Tehama	8.10
Merced	8.10	Trinity	7.50
Modoc	7.50	Tulare	8.10
Mono	7.50	Tuolumne	7.50
Monterey	11.10	Ventura	9.60
Napa	11.10	Yolo	11.10
Nevada	8.75	Yuba	9.10

Current Year Issues: The original budget proposal was that all future wage and benefit increases collectively bargained at the local level and those existing agreements that take effect after January 10, 2007, would be financed by the counties. Although the Administration believes it has the administrative authority to freeze state participation in wages to January 10, 2007 levels in 2006-07, the Administration now indicates that it will continue to participate in post-January 10, 2007 wage increases until its urgency legislation proposal prospectively limiting state participation is enacted by the Legislature. Senate Bill 782 (Cogdill) is the urgency bill that would provide statutory authority for this proposal in the current year. SB 782 was heard by the Senate Labor and Industrial Relations Committee on March 28, where testimony was offered, but no action was taken.

Impacts on Recipients and Providers: In the short term, the Legislative Analyst's Office (LAO) assesses that freezing wages at their current levels will have minimal influence on the supply of available IHSS providers. However, in the long run, if counties decide that they cannot afford to increase wages without state participation, there may be a reduction in the supply of providers. This could impact the quality of care for IHSS recipients, as it may be more difficult to find skilled providers. Additionally, about 43 percent of IHSS providers are immediate family members, and assuming the provider lives with the recipient, a long-term wage freeze may limit the household income of the provider and the recipient.

Currently, many county collective bargaining agreements contain provisions that nullify wage levels if the State removes its share of funding. A freeze in state funding would, in effect, roll back wages. To the extent that this jeopardizes the stability of caregivers providing for the elderly and disabled and results in an increase in the institutionalization of these individuals, the proposal could substantially erode the State's avoidance of institutionalization costs.

Questions:

1. Department, please describe the budget proposal.
2. Department, what is the status of the current year component of the proposal?
3. LAO, describe your analysis on the potential impact of the proposal.

Staff Recommendation: Reject the Governor's proposal (including the implementing trailer bill language) to freeze state participation of IHSS provider wages and benefits.

DSS Issue 4: Assessment of Quality Assurance (QA) Initiative

Description: This is an informational item. The Department of Social Services (DSS) will report to the Subcommittee on the impact of the In-Home Supportive Services (IHSS) Quality Assurance regulations as required by provisional language in the 2006-07 Budget Act.

Background: The IHSS program relies on county social workers to determine the number of hours for each type of IHSS task that a recipient needs in order to remain safely in his/her own home. Typically, social workers conduct reassessments once every 12 months to determine whether the needs of a recipient have changed. After the social worker has determined the appropriate tasks and time needed for each, a notice of action (NOA) is sent informing the recipient of the number of assigned hours for each task.

Prior to the Quality Assurance (QA) initiative, social workers relied significantly on their own judgment when determining the number of service hours to provide to IHSS recipients. As a result, IHSS recipients with similar disabilities, but residing in different counties, may not have been granted similar hour allocations. Another way to identify social worker variance in assigning hours is to compare the average hour allocations per case among the ten largest counties. Among California's ten largest counties in 2006-07, average hours per case ranged from 69 to 101 hours. The assumption is that these large counties are serving similar populations. Thus, differences in the average hours assigned are likely to be the result of social worker discretion and practice.

Quality Assurance Implementation: The 2004-05 Budget Act established an IHSS QA program to make county determinations of service hours consistent throughout the State, and to comply with federal waiver requirements. Quality Assurance was not intended to result in an arbitrary loss of hours for consumers. Quality Assurance includes: 1) QA functions in each county, 2) state resources for monitoring and supporting county activities, 3) standardized assessment training for county IHSS workers, and 4) periodic written notices to providers that remind them of their legal obligations to submit accurate timesheets.

To meet the requirements of the 2004-05 Budget Act, DSS led a workgroup composed of state representatives, county staff, legislative staff, and advocacy groups. The workgroup collected information from each county on the average number of hours granted per IHSS case. They then considered various levels of IHSS recipient ability, and developed corresponding ranges of times that would be appropriate for 12 of the 15 tasks identified by the workgroup. From this workgroup and after lengthy debate and consultation, hourly task guidelines (HTG) were created to provide social workers with a standardized tool to ensure that service hours are authorized consistently and accurately throughout the State. Due to ongoing concerns that HTG might result in substantial decreases in hours not attributed to a decrease in consumer need, the 2004-05 Budget Act required DSS to assess the initial impact of HTG.

Since September 2006, HTG have been used statewide by social workers during their assessments. The guidelines help social workers to determine a recipient's level of ability to perform each IHSS task. After determining a recipient's level of ability, the social worker decides if the number of hours of assistance needed per week is within the HTG range for a particular task. The HTG do not take away the individualized assessment process, but instead require a social worker to provide a written justification if a recipient is assessed as needing hours that are outside (either above or below) the range established by the HTG. These task guidelines are intended to increase the probability of consistent assessments throughout the State.

In a further effort to achieve uniformity, the IHSS Social Worker Training Academy was developed as a standardized method to educate social workers on the IHSS Program, quality assessment practices, and the proper usage of the HTG tool. Interviews with county workers suggest that HTG and uniform training will likely increase the uniformity of assessments among counties so that IHSS recipients moving from one county to another will not likely experience large increases or decreases in their hour allocations.

Quality Assurance Fiscal Effect: The budget includes estimated savings resulting from QA implementation of $29.6 million ($9.6 million General Fund) in 2006-07 and $161.8 million ($52.6 million General Fund) in 2007-08. These savings result from statewide uniformity in needs assessments and service authorizations and the use of uniform assessment guidelines, the hiring of additional county staff, earlier reassessments of IHSS participations, and anti-fraud activities.

2006-07 Legislative Budget Review: In 2006, the Legislature adopted Supplemental Report Language requiring DSS to report to the Legislature quarterly on IHSS utilization data by county, task, and client level. The data was also to report the number of exceptions by county, task and client level. Budget Bill Language was also adopted to require DSS to report at budget hearings on the impact of the IHSS QA regulations.

The Legislative Analyst's Office (LAO) indicates in their 2007-08 Analysis that unaudited monthly case expenditures are running below expectations. This generates concerns in the advocacy community that adoption of HTGs are resulting in IHSS consumers receiving lower hours and may affect the ability of consumers to "ensure the health, safety, and independence of the recipient" as required by statute.

Questions:

1. Department, what is the status of the QA regulations?
2. Department, what do you know about the impact of the QA regulations to date?
3. Department, please report on IHSS utilization data.

DSS Issue 5: Update on the Implementation of Direct Deposit

Description: This is an informational item. The Department of Social Services (DSS) will provide an update to the Subcommittee on the implementation of direct deposit to all In-Home Supportive Services (IHSS) caregivers.

Background: Although IHSS is a county-administered program, the State Controller makes the payment for IHSS providers by issuing individual checks to each provider. Currently, only a small number of IHSS clients who receive "advance pay" receive their funds through a direct deposit payment.

The 2006-07 Budget Act requires DSS to expand its direct deposit system to all IHSS caregivers.

Question:

1. Department, please provide an update on the status of direct deposit implementation.

DSS Issue 6: Adult Protective Services

Description: This is an information item. The budget includes $123.6 million ($61.3 million General Fund) for Adult Protective Services (APS) in 2007-08, an increase of five percent reflecting higher federal fund levels. The state funding level for APS has remain unchanged since 2002-03, while demand for services increases.

Background:

- **Program Description:** The Adult Protective Services (APS) Program is a statewide program providing 24-hour emergency response to incidents of abuse and neglect of seniors (persons 65 years of age and older) and dependent adults (defined as persons 18 to 64 years of age with a significant disability that limits their ability to protect or care for themselves). Each of California's 58 counties is required to investigate, intervene, and provide services to ensure the safety and protection of seniors and dependent adults. The Department of Social Services (DSS) provides policy development and oversees the administration of the APS Program.

- **Program Funding History:** Prior to 1998, the APS Program existed for decades with differing service levels across counties. The State was using County Services Block Grant monies to fund APS services, but there was no mandate for counties to respond to adult abuse on a 24-hour emergency hotline. In 1998, Senate Bill (SB) 2199 (Chapter 946, Statutes of 1998, Lockyer) was enacted to establish statewide standards and uniform administration of the APS Program. The legislation established a uniform process for receiving and immediately responding to referrals from the community and coordinated response from local APS agencies.

  The passage of this bill required the State to begin funding an APS augmentation, which started as an additional $1 million General Fund for 1998-99 and grew to an additional $56.2 million for the program by 2001-02. The original concept for the program envisioned further expansion to a total of $80 million General Fund for APS as counties ramped up their programs. However, the State's poor fiscal condition, beginning in 2001-02, prevented this expansion from occurring. In 2002-03, as part of an overall ten percent reduction to county administered programs human services, the APS Program was cut by $6 million General Fund. Since 2002-03, the state funding level has been essentially frozen for APS, although there has been a slight increase in federal County Services Block Grant funding devoted to the program.

The 2007-08 budget includes $123.6 million ($61.3 million General Fund) for the APS Program, an increase of five percent. The increase reflects a higher level of Title XIX reimbursements.

- **Demand for Program Services:** Recent data for the APS Program provided by DSS illuminate trends in the APS Program. From 2000-01 to 2005-06:

  > The number of reports of abuse/neglect received by APS each year increased by 24.2 percent, an increase of 19,920 reports. A report is defined as a verbal or written account of an incident of suspected elder or dependent adult abuse that is received by a county.

  > The number of opened cases increased 21.9 percent, an increase of 15,702 cases.

  > The number of investigations completed increased by 25.6 percent, an increase of 17,423 investigations. Investigations are defined as an activity undertaken by APS to determine the validity of a report of elder or dependent adult abuse.

  > The monthly average for active APS cases decreased 5.4 percent, a decrease of 1,145 active cases a month.

  In addition:

  > APS hotline responses that are identified as needing “No Initial Face to Face Investigation” increased 118.1 percent from 2002-03 to 2005-06, an increase of 6,194 cases.

  > Information and referral calls made to counties increased by 15.4 percent from 595,015 in 2001-02 to 686,695 in 2005-06, an increase of 91,680 calls.

  The California Welfare Directors Association (CWDA) also provides the following statistics:

  > There has been a 40 percent increase in “confirmed” and “non-conclusive” reports between January 2004 and June 2006.

  > Financial abuse cases alone have increased 21 percent since 2001. Counties reported a 32 percent increase in the number of cases alleging financial abuse.

  > Self-neglect cases have increased by 7 percent since 2001. Neglect by other has increased by 16 percent.

  > The number of active cases managed by APS social work staff increased by 18 percent between January 2004 and June 2005.

  > There was a 23 percent increase in the number of cases assigned to APS staff for investigation between 2001 and 2005.

  > Between 2001 and 2005, county APS staff increased by four percent.

Over the last five years, the number of mandate reporters has grown, resulting in more APS cases. The inclusion of banks as mandate reporters next year resulting from enactment of SB 1018 (Chapter 140, Statutes of 2006, Simitian) will continue to increase the number of cases sent to APS. In addition, APS casework often involves complicated legal and financial elements that require more work than was anticipated when the program was established in 1998. However, counties have been provided essentially flat funding to meet the increasing workload. As a result, the array of services provided has been reduced and counties are pressured to close cases early to keep up with the mandated workload. The CWDA reports that the trend for case increase is 14 percent and that there is a simultaneous 21 percent decrease in the time spent investigating cases.

Questions:

1. Department, please describe the APS Program, your role in administering it, and total funding for the program.
2. CWDA, describe the demand for APS services and the adequacy of funding.

DSS Issue 7: Community Care Licensing Facilities Inspections

Description: The budget requests $2.5 million ($2.4 million General Fund) and 34.5 positions to increase the number community care facility inspections and follow-up visits. Of the 34.5 positions, 28 would be used to increase from 20 percent to 30 percent the number of facilities that are randomly selected for annual visits and to ensure that required follow-up visits are conducted. The remaining 6.5 positions would be used to address Department of Social Services (DSS) follow-up enforcement deficiencies identified in the May 2006 BSA audit.

Background: The Community Care Licensing (CCL) Division of DSS licenses over 85,000 community care facilities across the State. These facilities have the capacity to serve over 1.4 million clients requiring different types of care and supervision. Licensees include childcare facilities, certified foster family homes, foster family agencies, residential care facilities for the elderly, residential care facilities for the chronically ill, adoption agencies, transitional housing, and adult day care. Licensing activities are primarily carried out by state staff, although some counties are responsible for licensing child care and foster family homes. CCL staff currently visit a randomly selected 20 percent of facilities annually, and visit all facilities no less than once every five years. At-risk facilities are visited at least annually.

The proposed budget includes $119.9 million ($38.2 million General Fund) and 1,187.6 positions for CCL in 2007-08. This represents a 6.3 percent increase over the current year funding of $112.8 million ($32.3 million General Fund) and 1,114.1 positions. Approximately 15 percent of funding is for county licensing activities, and the remaining funding is for state licensing activities.

Facility Visits: Historically, CCL was required to make annual visits to most types of facilities, and to visit childcare homes triennially. Budget reductions sustained by CCL during the 1990s significantly reduced the length and thoroughness of the required annual inspections. Upon additional budget reductions, DSS established priorities among its statutorily required activities. It prioritized the investigation of serious incident reports within the required 24-hour period. It also prioritized conducting site visits for complaint investigations within the required 10-day period. Annual or triennial visits became a lower priority.

The 2003-04 Budget Act, and its implementing legislation, eliminated the required annual or triennial visits and instead required DSS to annually visit facilities with specified compliance problems or federally required annual visits. All other facilities were subject to an annual inspection based on a 10 percent random sampling method, with each facility required to be visited at least once every five years. The 2003-04 Budget Act changes also included an escalator clause to trigger annual visits for an additional 10 percent of facilities if citations increase by 10 percent or more. However, sufficient resources were not provided to allow CCL to visit facilities at least once every five years – this would have required 20 percent of the facilities to be subject to random inspections, rather than 10 percent.

The 2005-06 Budget Act included additional resources to reflect caseload growth in the number of facilities licensed by CCL. In addition, DSS began a series of management and operational reforms to improve the efficiency of the program.

2006-07 Licensing Reforms: The 2006-07 Budget Act included $6.7 million and 80 new positions for CCL to complete required licensing workload and increase visits to facilities. The most significant components include:

- 38 permanent positions to increase the number of random visits from 10 percent of facilities to 20 percent each year.
- 29 two-and-a-half-year limited-term positions and $110,000 for overtime to eliminate the significant backlog in licensing visits
- 1 one-year limited-term personnel position to assist with hiring the requested licensing positions.
- 5 permanent positions to operate a training academy for new licensing staff.
- 2.5 permanent positions to share the DSS database of excluded or abusive employees with other HHS departments.
- 4.5 permanent positions to handle information regarding convictions after arrest provided by the Department of Justice.

The 2006-07 budget also included trailer bill language to clarify that the department shall conduct unannounced visits to at least 20 percent of facilities per year.

Bureau of State Audits (BSA) Report: The BSA presented a report with findings and recommendations in May 2006 entitled, *Department of Social Services: In Rebuilding Its Child Care Program, the Department Needs to Improve its Monitoring Efforts and Enforcement Actions*. The report identified many critical licensing findings including missed inspection visits, lack of follow-up to critical deficiencies and enforcement actions, inadequate program oversight and accountability, and inconsistencies in licensing business practices among the 36 offices throughout the State. The BSA made numerous recommendations to ensure that DSS continues to make timely monitoring visits and improves its enforcement actions including improving reliability of data used; revising and clarifying policies for field staff; improving oversight of regional offices; developing automated management information; and continuing efforts to make all nonconfidential information about monitoring visits more readily available to the public.

2007-08 Budget Proposal: The budget requests $2.5 million ($2.4 million General Fund) and 34.5 positions to increase the number of community care facility inspections and follow-up visits. The 34.5 positions are proposed for the following activities:

- 15.5 field staff would be used to increase from 20 percent to 30 percent the number of facilities that are randomly selected for annual visits and to ensure that required follow-up visits are conducted. These resources would enable CCL to comply with the statutory trigger that the number of facilities visited annually be increased by ten percent if total citations issued by DSS exceed the previous year's total by ten percent.

- 11.5 support staff would be used to ensure that health and safety information is current and available to support field staff. Currently, field staff is responsible for performing support activities, which is resulting in fewer facility visits, slower processing time for new licensure application, longer time to complete investigations, and slower response time to requests for technical assistance.

- 6.5 positions would be used to conduct follow-up visits to facilities when a revocation order, a Temporary Suspension Order, or an exclusion order has been served. These resources would address DSS follow-up enforcement deficiencies identified in the May 2006 BSA audit.

- 1 existing limited-term personnel position set to expire would be continued in 2007-08 to process all the additional personnel who would be hired.

2007-08 Trailer Bill Language: The budget proposes a statutory change to the existing trigger language that requires annual visits for an additional 10 percent of facilities if citations increase by 10 percent or more. This trigger language was enacted in 2003-04 when the facility visit protocol was changed to due to budget constraints and intended to be a safeguard to ensure that monitoring visits would increase as violations increased. However, as DSS has increased licensing staff due to budget augmentations in the past two years, the number of monitoring visits has increased, resulting in an increased number of citations, as would be expected. This increase in citations does not necessarily indicate that more violations are occurring at facilities.

The proposed trailer bill language, included in Attachment 2, is intended to revise the trigger calculation to consider the net increase in citations relative to visits and only trigger an increase in random visits if the net change in citations is over 10 percent. These changes are intended to control for the effect of increasing the number of visits on the increasing number of citations that would trigger more random visits. Although the intent of this change is reasonable, the specific proposed language is vague and does not clearly maintain the original intent of the trigger language.

April Finance Letter: The January 10 budget originally requested $4.9 million ($4.6 million General Fund) and 65 positions, but there were errors in DSS' workload calculations. A spring finance letter submitted on April 1 corrected those errors and reduced the original request by $2.4 million ($2.3 million General Fund) and 30.5 positions. The description in this agenda reflects the revised budget request.

Questions:

1. Department, please describe recent trends in the numbers of monitoring visits and facility citations resulting from the increased resources provided in the past two years.
2. Department, please describe the budget request.
3. Department, describe the proposed trailer bill language and why it is being proposed.

Staff Recommendations:

1. **Approve the budget request as modified by the April Finance Letter.** This would provide $2.5 million ($2.4 million General Fund) and 34.5 positions to DSS to increase licensing visits as required by statute and consistent with approved workload standards.

2. **Reject the proposed trailer bill language. Approve instead trailer bill language suspending the trigger requirement for one year and requiring DSS to propose alternative trailer bill language by February 1, 2008, that reflects better indicators to trigger increased licensing visits as a result of increases in facility citations. The DSS should work with legislative staff, the LAO, and interested stakeholders in developing this alternative language.**

DSS Issue 8: Licensing Reform Automation

Description: The budget requests $1.7 million ($1.5 million General Fund) and ten positions for the Department of Social Services (DSS) to begin a project to upgrade its information technology systems supporting the licensing program. Although already identified as a need in DSS' IT Strategic Plan, this proposal responds to findings of deficiencies in enforcement and inadequate program oversight and accountability in an audit of DSS' efforts to rebuild the child care program completed in May 2006 by the Bureau of State Audits (BSA). This IT project is expected to take two years to complete.

Background: As discussed previously, the BSA presented a report with findings and recommendations in May 2006 entitled, *Department of Social Services: In Rebuilding Its Child Care Program, the Department Needs to Improve its Monitoring Efforts and Enforcement Actions*. The report identified many critical licensing findings including missed inspection visits, lack of follow-up to critical deficiencies and enforcement actions, inadequate program oversight and accountability, and inconsistencies in licensing business practices among the 36 offices throughout the State. According to DSS, most of the reported problems are due to known weaknesses and limitations in information technology (IT) systems supporting the licensing program.

In the past, the Legislature has expressed interest in two areas with regard to Community Care Licensing (CCL): 1) ensuring that CCL is effectively monitoring and enforcing facility safety; and 2) providing facility compliance information on the Internet. In 2006-07, CCL could not provide key information related to enforcement activities with noncompliant facilities. As a result, the Legislature required that DSS provide a report by April 1, 2007, on the costs to track this information in the future. The DSS has not yet provided this report. The Legislature also provided $366,000 for DSS to place facility inspection reports on the Internet, but these funds were subsequently vetoed by the Governor.

The DSS provided the Legislature an IT Strategic Plan in 2006 that describes the upgrades to automation that will improve its operations and enable it to address previous concerns expressed by the Legislature and the BSA. The IT Strategic Plan identifies five critical business areas that need to be enhanced including Field Office Automation, Public Web Services, Licensee Web Services, Background Check Process, and Central Office Support Services. The Strategic Plan estimates that these improvements will take a total of four years (contingent on available funding) and will be completed in two phases. The proposed automation project represents the most critical business area and comprises the majority of Phase One. It is estimated to be completed in two years. Phase One of the Strategic Plan also includes developing the ability to display facility inspection reports and file facility complaints on the Internet.

LAO Analysis: In its 2007-08 Analysis, the Legislative Analyst's Office (LAO) notes that the budget proposal will address some of the concerns of the Legislature by enabling CCL to track the effectiveness of monitoring and enforcement. However, the proposed automation project does not include providing access to any licensing information on the Internet. The DSS indicated that it must first make fundamental improvements to the basic tracking and management of licensing operations and providing information on the Internet cannot currently be done within fiscal constraints. The LAO observes that the automation project will not meet the schedule outlined in the Strategic Plan and will not address a key legislative goal.

The LAO recommends that DSS report during the budget hearing on estimated time and cost to complete all of the features outlined in Phase One of the Strategic Plan, including making licensing information available on the Internet.

Questions:

1. Department, please describe the budget request, including what the proposed positions are for and how many would be permanent versus limited-term.
2. LAO, describe your analysis of the proposal and recommendation.
3. Department, what is the estimated time and cost to complete all of the features outlined in Phase One, including making licensing information available on the Internet? What is the estimated time and cost to complete all of the features outlined in Phase Two?
4. Department, what is the status and anticipated release date of the CCL report? Does this budget request reflect all or a part of the costs that will be identified in that report?

Staff Recommendation: Hold open pending release of the CCL report and additional information from DSS. The Subcommittee should direct DSS to provide information to legislative staff and the LAO on the estimated time and cost to complete each of the components of the IT Strategic Plan by May 4, 2007, in time for consideration for the May Revision. Although improved IT systems supporting licensing activities is clearly needed, more information on the costs to implement the entire IT Strategic Plan and the costs that are supposed to be provided in the overdue CCL report would provide necessary context for making a decision about this request.

DSS Issue 9: County Costs for Operating Social Services Programs

Description: The Governor's Budget continues to freeze state participation in county administrative costs in health and social services programs. State support is adjusted for caseload and workload in the proposed budget, but not for inflation. Most of these programs have not received cost of doing business increases since 2000-01, and have also received budget cuts in recent years.

Background:

- **County Administration Description:** County administration covers a range of activities depending on the program. Sometimes county administration means administrative, clerical, or supportive efforts that facilitate delivery of a service or a benefit (for example, determining eligibility for benefits, payment of service provider bills, personnel management, accounting, and fraud prevention/investigation). The Medi-Cal Program generally fits this description. Counties receive approximately $1.2 billion to cover the cost of county eligibility workers who determine if applicants are eligible for Medi-Cal benefits. Another example is the CalWORKs program where county staff determine an individual's eligibility for the program, including determining the amount of the cash grant and employment services to be received by the recipient.

In other programs, county workers may not be providing a specific cash payment or "benefit." Instead, the salaries and support for the staff constitute the entire program. For example, the Child Welfare Services (CWS) program provides: (1) social workers who respond to allegations of child abuse; (2) services to children and families where abuse or neglect has occurred; and (3) services to children in Foster Care who have been removed from their parents. Most of the services are provided by county social workers in the form of case management and counseling. In addition, the social workers are supported by a county administrative structure that provides services including accounting, personnel management, and clerical support. In sum, all program costs are for social workers and related county administrative staff.

- **Budget Methodology for County Administration:** During the 1990s, most budgets for county administration of health and social services programs were set through the Proposed County Administrative Budget (PCAB) process. Under PCAB, counties submitted proposed budgets and staffing levels for their programs based on estimated costs, caseload, and workload. These requests included adjustments for inflation. State departments such as the Department of Social Services (DSS) or the Department of Health Services (DHS) then reviewed these proposed budgets to determine if the requests were "reasonable" and "consistent" with current state law and made any necessary adjustments. Under PCAB, administrative budgets reflected increased costs due to workload and inflation.

- **No Inflationary Adjustments for Most County Administration Social Services Budgets Starting in 2001-02:** During the State's budget crisis, the Governor and Legislature began to freeze county administrative allocations within DSS. Beginning in 2001-02, most county-administered social services programs were held at their 2000-01 budget level, adjusted for caseload. No adjustment for inflation was provided. The one exception was for the CWS program. This program received an increase for inflation for 2001-02. Since 2001-02, there have been no adjustments to county administrative allocations to account for inflation in any DSS programs. In contrast to the social services programs operated by DSS, county administrative allocations for Medi-Cal have been adjusted annually for inflation through 2006-07.

  Attachment 3 contains a table prepared by the California State Association of Counties, the Urban Counties Caucus, and the County Welfare Directors Association, which shows the impact of the freeze on county social services administrative allocations. According to estimates provided by these organizations, the total annual impact of unfunded cost of doing business increases and budget cuts since 2000-01 is $1.2 billion ($761.8 million General Fund) for non-child support programs. The DSS notes that they have not been able to confirm these estimates.

- **Meeting State Objectives:** Each of the programs that would be subject to the proposed freeze was enacted by the Legislature with specific state goals and objectives. Counties administer these programs as agents of the State with the aim of meeting the state established program goals. Unless the counties elect to use their own general purpose revenues to cover inflationary costs, lack of state funding for inflation could slowly erode service levels. In addition, questions have been raised about whether the funding freeze constitutes a cost shift in violation of Proposition 1A.

- **2006-07 Budget Actions:** Assembly Bill (AB) 1808 (Chapter 75, Statutes of 2006), the 2006-07 budget trailer bill, requires DSS to estimate the costs for county administration using county-specific cost factors in the programs' budget methodology and requires county certification of "reasonable" costs for specified county social services programs. AB 1808 requests DSS to develop, in consultation with CWDA, a survey process to collect reasonable county specific costs data. Commencing with the 2007-08 May Revision, DSS is required to identify in its budget documents the estimates developed and the difference between these estimates and proposed funding levels.

  The survey process is currently underway and the 2007-08 Governor's Budget documents have a placeholder for the estimates that are developed.

Questions:

1. Department, please provide the status of the county survey.
2. DOF, what is the Administration's position on whether the funding freeze violates Proposition 1A and why?

Staff Recommendation: Hold open pending May Revision.

0530 Health and Human Services Agency – Office of System Integration (OSI)

OSI Issue 1: Statewide Automated Welfare System (SAWS)

Description: The budget includes $235.1 million ($92.6 million General Fund) in 2006-07 and $230.0 million ($82.9 million General Fund) in 2007-08 for the Statewide Automated Welfare System (SAWS), which is comprised of five automation systems and a project management office.

Background: The Statewide Automated Welfare System (SAWS) automates the eligibility, benefit, case management, and reporting processes for a variety of health and human services programs operated by the counties: CalWORKs, Food Stamps, Foster Care, Medi-Cal, Refugee Assistance, and County Medical Services Program. SAWS includes four primary systems managed by local consortia, a statewide time-on-aid tracking system, and a statewide project management and oversight office.

Statewide Automated Welfare System
(dollars in millions)

		2006-07		2007-08	
Program	**Region**	**Total Funds**	**General Fund**	**Total Funds**	**General Fund**
LEADER	Los Angeles County (37% of caseload)	$8.9	$2.0	$12.6	$2.9
LEADER Replacement		$1.6	$0.6	$2.0	$0.8
ISAWS	35 counties (13% of caseload)	$37.0	$14.4	$36.7	$14.3
ISAWS Migration	Migration of 35 ISAWS counties to C-IV	$2.8	$1.3	$2.3	$1.0
C-IV	4 counties (13% of caseload)	$48.6	$17.4	$48.7	$17.5
CalWIN	18 counties (36% caseload)	$112.8	$42.3	$117.5	$44.3
WDTIP	Statewide time on aid tracking	$4.0	--	$3.9	--
Statewide Project Mgmt	Statewide project management and oversight	$6.5	$2.8	$6.3	$2.7
Total		**$222.2**	**$80.8**	**$230.0**	**$83.5**

Los Angeles Eligibility, Automated Determination, Evaluation and Reporting (LEADER): The Governor's Budget includes a total of $14.6 million ($3.7 million General Fund) for the LEADER system, used by Los Angeles County. Of this, $12.6 million ($2.9 million General Fund) is for maintenance and operations (M&O) of the existing system. LEADER system implementation was completed on April 30, 2001. The initial contract term for LEADER M&O expired on April 30, 2005. A contract amendment for a 24-month extension was executed and expires April 30, 2007. Los Angeles County negotiated another contract amendment to extend that contract for five years, through April 2012, with three optional one-year extensions.

The remaining $2.0 million ($800,000 General Fund) is to continue planning activities for replacing LEADER. The planning phase for a replacement system began in 2005-06 and had an original completion date of 2006-07. The planning phase has now been extended to 2007-08 to account for more realistic workload and review time estimates. In addition, the procurement scope has been expanded. Initially, the procurement approach would have resulted in the release of an RFP requiring vendors to propose the transfer of a California-based SAWS system that would meet the County's requirements to take advantage of the significant investment already made to develop systems appropriate for California's social services programs. Once planning activities began, DSS, OSI, and Los Angeles County concluded that a procurement strategy based on the County's business and technical requirements could result in other viable proposals. At the conclusion of the planning phase, Los Angeles County will have completed and released a request for proposals, evaluated the proposals received, selected a vendor, and negotiated a contract with the selected vendor.

Interim Statewide Automated Welfare System (ISAWS): The Governor's Budget includes $36.7 million ($14.3 million General Fund) for ongoing maintenance and operations of the ISAWS system. The budget also includes $2.3 million ($1.0 million General Fund) in 2007-08 for planning costs to migrate the 35 ISAWS counties to Consortium IV (C-IV). The ISAWS system was completed in the early 1990's. Due to technology and functionality problems, including manual workarounds and a proprietary mainframe architecture, the ISAWS counties have evaluated options to migrate to another SAWS system. They have chosen to migrate to C-IV. Planning activities for ISAWS migration will began in July 2006 and will continue through April 2008. One-time transition costs to migrate the ISAWS counties to C-IV are roughly estimated at $136 million. Funding for transition costs will be requested as part of the May Revision. Once the transition to C-IV is complete, ongoing maintenance and operations costs for the 35 ISAWS counties are expected to decline by $10.8 million.

Consortium IV (C-IV): The Governor's Budget includes $48.7 million ($17.5 million General Fund) for ongoing maintenance and operations of the C-IV system in 2007-08. C-IV began system development in 2001 and completed implementation in 2004. The budget reflects savings of $128,000 for 2006-07 for services supporting the C-IV Joint Powers Authority. The budget request for 2007-08 is $60,000, essentially flat from the current year.

CalWORKs Information Network (CalWIN): The Governor's Budget includes $117.5 million ($44.3 million General Fund) to continue implementation and operations of the CalWIN system. Implementation of this system began in Sacramento County in March 2005 and was completed in July 2006. Current year funding for CalWIN reflects savings of $4.6 million due largely to one-time reduced print charge costs. Funding for 2007-08 includes one-time implementation costs of $33.0 million and ongoing maintenance costs of $84.5 million.

LAO Concerns: The Legislative Analyst's Office (LAO) 2007-08 Analysis does not express concerns with funding for SAWS except for the LEADER replacement. Specifically, the LAO questions why Los Angeles County cannot join one of the other existing SAWS systems (potentially with some modifications) rather than replace LEADER with an entirely new system. Given the substantial costs in developing a new system (probably over $200 million total funds), this strategy would build upon a SAWS system that has already proven to be successful in supporting the delivery of social services programs. The LAO recommends that the Department of Social Services (DSS) and the Office of System Integration (OSI) report at the budget hearings why Los Angeles County cannot join one of the other existing systems and on the costs and benefits associated with development of a new system, and that funding for LEADER planning activities be withheld until a cost-benefit analysis is provided to the Legislature.

In response to these concerns, DSS, OSI, and Los Angeles County have provided additional documentation intended to justify the need for a new system. LEADER was designed to support a number of business functions in Los Angeles, such as: automated support for the county's General Relief program; automated eligibility determinations for the CalWORKs Homeless Assistance program; automated transaction logs for all users and creation of a history every time an update is made; mandatory supervisory reviews and checks for the presence of verification information before passing an eligibility determination; multi-layered security profiles; and online policy help. The other SAWS systems do not have these features and would need to be modified to accommodate the county's particular business needs.

Furthermore, DSS, OSI and Los Angeles County argue that the risk to operations, eligibility determinations, county staff training, data conversion, quality control and the project timeline will be lowest by considering the full range of possible systems. By promoting competition, this strategy will also minimize costs. The State and county point out that the existing SAWS vendors are eligible to compete for the LEADER replacement contract and that modification of one of the existing systems could be the most efficient solution. However, the most efficient solution cannot be identified without a fully open, competitive process.

Questions:

1. OSI, please present the Governor's Budget proposal for LEADER.
2. LAO, present your analysis of the proposal to replace the LEADER system.
3. OSI and Los Angeles County, respond to the LAO analysis.

Staff Recommendation: Hold open pending May Revision.

OSI Issue 2: County Equipment Replacement and User Support

Description: The Governor's Budget does not include funding for hardware replacements for the CWS/CMS, CalWIN, C-IV, and LEADER statewide automation systems and currently only includes placeholder funding for help desk staff to support

CalWIN. The total estimated costs to fund the hardware replacement and help desk staff is $27.8 million ($11.3 million General Fund).

Background: Beginning in 2006-07, the Administration established a new policy eliminating local equipment replacement funding from the statewide system budgets and funded county CalWIN help staff well below recommended levels. The Legislature took action to restore funding of $16.8 million ($7.4 million General Fund) for CWS/CMS and CalWIN equipment replacement and for CalWIN help desk staff; however, the Governor vetoed this funding from the final budget. The Administration's proposed 2007-08 budget again excludes funding for equipment replacement and includes only placeholder funding levels for the CalWIN help desk staff.

County welfare department staff use computers to access case information, check family history with the child welfare system, and assess eligibility for public benefits. Failure of these computers and the ability to access help desk staff could result in inaccurate decisions or inappropriate terminations from aid or inappropriate decisions about whether to remove children from their homes in potentially life-threatening situations. The Gartner Group, a nationally recognized independent information technology expert, recommends replacing computer workstations every three to five years. A number of workstations were installed in 2001-02 and will be six years old in 2006-07.

The $27.8 million ($11.3 million General Fund) is comprised of the following components:

- CWS/CMS: $5.4 million ($2.6 million General Fund)
- LEADER: $7.1 million ($2.8 million General Fund)
- CalWIN: $10.5 million ($4.0 million General Fund)
- C-IV: $4.8 million ($1.9 million General Fund)

The Legislative Analyst's Office (LAO) notes that the Administration's policy makes sense for systems that are web-based, where the operation of the system is not reliant on local equipment. However, in the "client-server" environment, where the system is dependent upon local equipment that is obtained specifically to operate the system, the costs of replacement equipment should be funded as part of maintenance and operation for the system. The CWS/CMS, CalWIN, and existing LEADER systems are client-server based. Staff also notes that funding for equipment replacement has never been provided to counties as part of their administrative funding. To expect them to absorb replacement costs now within their existing administrative budgets is, in effect, another budget cut.

Questions:

1. OSI and DOF, please explain the State's policy on funding for workstation replacement.
2. LAO, what is your analysis of this policy?

Staff Recommendation: Hold open pending May Revision.

OSI Issue 3: Case Management, Information and Payrolling System (CMIPS) II Procurement

Description: The Governor's Budget proposes $25.0 million ($11.6 million General Fund) for a new automation system to replace the existing Case Management, Information and Payrolling System (CMIPS). Development of the new system, known as CMIPS II, is necessary to meet state and federal program requirements for IHSS.

Background:

Existing CMIPS: The existing CMIPS provides client case management and provider payrolling functions for the In-Home Supportive Services (IHSS) program. CMIPS is a 20-year old system. Maintenance and operating costs for CMIPS are $11.9 million ($4.1 million General Fund) annually.

Justification for CMIPS II: Development of CMIPS II is necessary to meet state and federal program requirements for IHSS, such as business payroll and tax requirements for prompt and accurate reporting to the IRS, EDD, and SCO. Manual workarounds on the existing CMIPS are currently being performed to meet some state and federal requirements, as CMIPS cannot be enhanced without risk of system failure. In addition, OSI indicates CMIPS II will be able to connect to the Department of Health Services Medi-Cal automation system, known as CA-MMIS. This connection will allow better Medi-Cal benefits coordination and oversight. Furthermore, OSI indicates that CMIPS II will improve the efficiency of state and county IHSS business processes.

Finally, the federal government has indicated concerns in continuing the sole-source maintenance contract for CMIPS, and will withdraw federal matching funds if the state does not conduct a competitive procurement for CMIPS II.

Costs and Funding for CMIPS II: The budget includes $25.6 million ($12.8 million General Fund) for contract planning, procurement, and implementation activities for CMIPS II in 2006-07. Based on OSI cost models, the total estimated cost for the development of CMIPS II is $98 million over three years, and for maintenance and operations is $129 million over seven years. Actual costs are not yet available, as the final contract has not been awarded.

Status of CMIPS II: Contract development and procurement for CMIPS II began in fiscal year 1999-00. Between 1999-00 and 2006-07, a total of $15 million will be spent on procurement planning. Procurement has been delayed due to funding reductions in 2003, major program changes in 2004, and the efforts of OSI and DSS to ensure that competition to build the new system is maximized.

The request for proposals (RFP) was finally released and final proposals from bidders were received on August 28, 2006. The incumbent contractor is the sole bidder. An independent cost assessment of the vendor's final proposal was to be completed by March 2, 2007, with notification of intent to award to have taken place by March 14, 2007. The contract award is to be made on July 1, 2007.

Questions:

1. OSI, please briefly describe the status of CMIPS II procurement.
2. OSI, what are the updated estimated total project costs and how long will development of the new system take?

Staff Recommendation: Hold open pending May Revision when project costs will be updated.